

# **Bureau of Land Management Federal Coal Leasing Program**

## **2015 National Listening Sessions**

- **Washington, D.C. – July 29**
- **Billings, Montana – August 11**
- **Gillette, Wyoming – August 13**
- **Denver, Colorado – August 18**
- **Farmington, New Mexico – August 20**

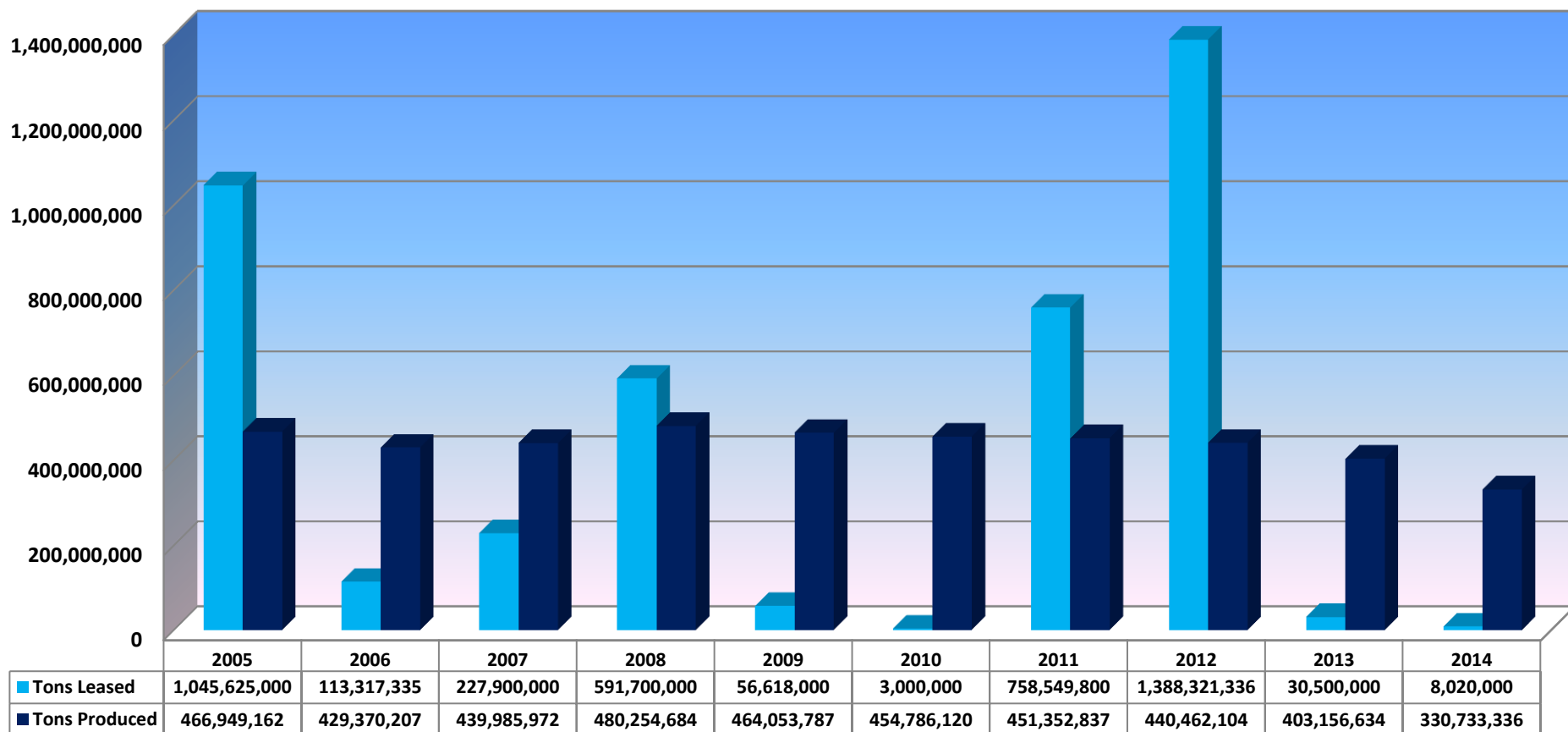


## BLM Coal Program Quick Statistics

- BLM currently administers **310** coal leases
- **In the last 10 years:**
  - BLM-managed lands produced approximately 5.1 billion tons of coal worth over \$72 billion
  - This production generated \$7.9 billion in royalties and nearly \$4.0 billion in revenues from rents, bonuses, and other payments.
  - BLM held 39 coal lease sales
- **In 2014:**
  - Approximately 40% of Nation's electricity was produced from coal.
    - It is expected to account for 30% by 2040
  - Approximately 40% of the coal produced was from federal coal; 85% of that was from the Powder River Basin in Wyoming.

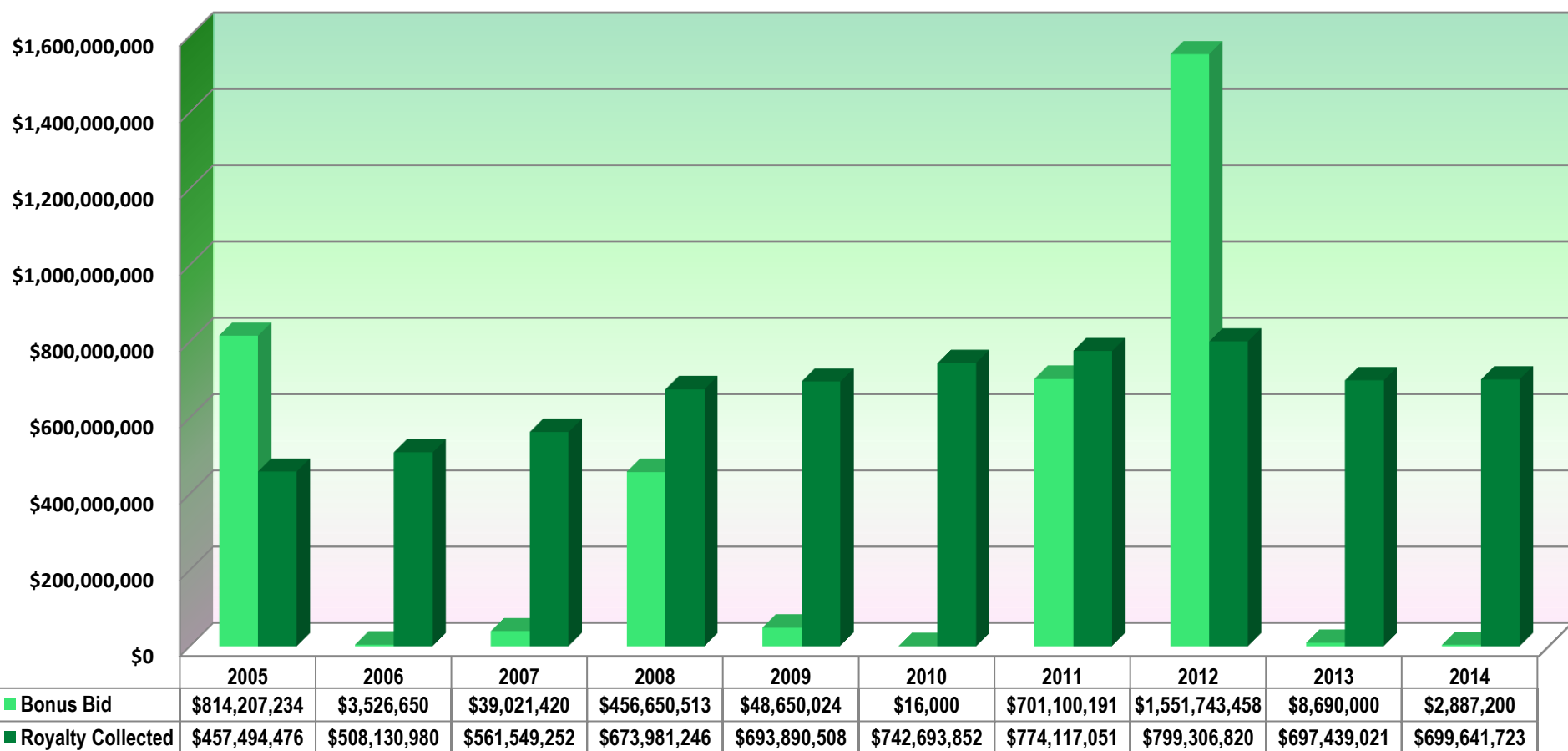


# Federal Coal Tons Leased and Mined 2005 - 2014



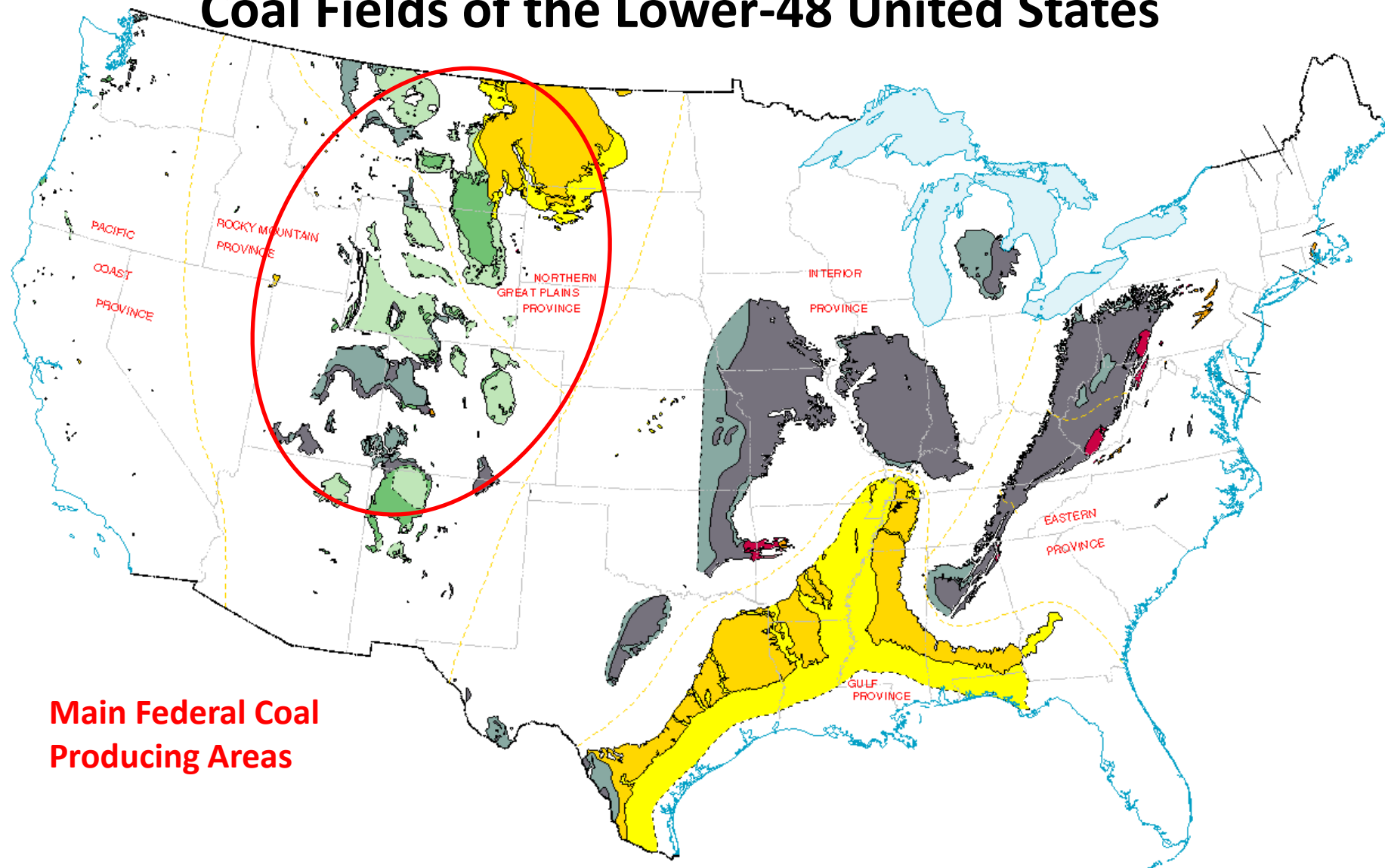


# Federal Coal Bonus Bids and Royalty Collected 2005 - 2014





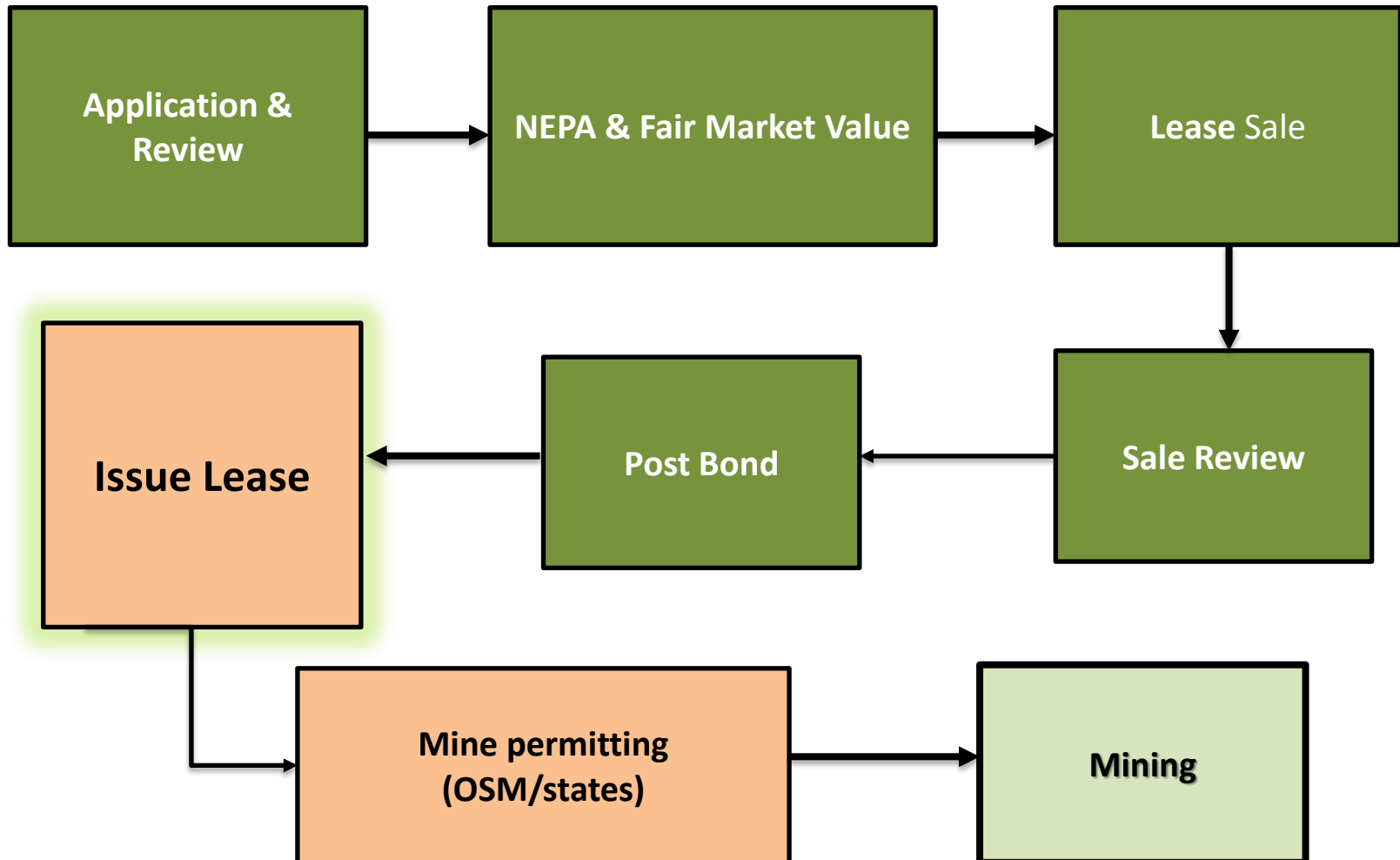
# Coal Fields of the Lower-48 United States



**Main Federal Coal  
Producing Areas**



# Federal Coal Leasing Process





# General Steps for Federal Coal Leasing and Mining

- Land Use Planning (Resource Management Plans)
  - Determines lands open to leasing consideration
- Application Submittal
- Environmental Analysis
- Mineral Authorization (Right of Entry)
  - Coal lease sale (bonus bid revenue generated)
- SMCRA Permit (Right to Mine)
  - Granted by Office of Surface Mining, Reclamation and Enforcement (OSMRE) or state
- Mining (royalty revenue generated)
- Reclamation
  - OSMRE or state





# Royalty and Royalty Rate Reductions for Federal Coal

By **statute** (30 U.S.C. 209)

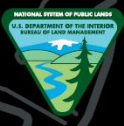
- Lessees must pay a royalty of not less than 12 ½% on the sale price of the coal
- The Secretary may determine a lesser royalty rate for underground mining to promote development
- The Secretary may consider lease or region-specific royalty rate reductions under certain circumstances (30 U.S.C. 209)



By **regulation** (43 CFR 3473.3-1 &2)

- Lessees must pay a royalty of 8% for underground mining and not less than 12 ½% for surface mining
- Lessees must pay an annual rent of not less than \$3 per acre





## Bonding Requirements

- Both BLM and the Office of Surface Mining, Reclamation and Enforcement (OSMRE) administer bonds for coal mines, which serve different purposes

### Coal Lease Bonds (BLM)

**BLM** is responsible for the administration of lease bonds.

- Lease bonds assure those aspects of the mining operation **other than reclamation operations** on a lease are conducted in conformity with the approved mining or exploration plan.
- BLM lease bonds typically cover:
  - Three months of production royalty
  - One year of lease rental
  - Remaining balance of deferred bonus bids





## Bonding requirements (Cont'd)

### Performance Bonds (OSMRE)

**OSMRE** is responsible for the administration of performance bonds.

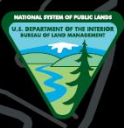
- A performance bond is a surety bond, collateral bond and/or self-bond to assure the permittee performs the requirements of the permit and reclamation plan.

### Lease Protection Bonds (OSMRE)

**OSMRE** is responsible for the administration of Federal lessee protection bonds.

- These bonds hold the permittee responsible for any damages to crops or tangible improvements on Federal lands.

**Note:** States with OSMRE approved SMCRA regulatory programs may enter into cooperative agreements with OSM in order to become the regulatory authority for coal mining on Federal lands.



# Recent Improvements to the Management of the Federal Coal Program

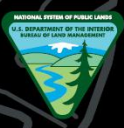
Developed in response to recommendations from the OIG (2013) and GAO (2014) which focused on the:

1. Lease Sale Valuation Process
2. Royalty Rate Reductions

The lease valuation process is critically important because it establishes the pre-sale estimate of the fair market value (FMV) for a given tract.

The high bid at a given sale must meet or exceed that estimate.





## Lease Valuation Process Improvements

Published an updated Coal Evaluation Manual and Handbook

- Providing more robust guidance on FMV procedures
- Standardizing requirements for sales and reoffers
- Establishing internal controls and safeguards
- Requiring additional information, including third party review and consideration of export markets
- Increasing transparency of process
- Recommends use of two most common appraisal methods

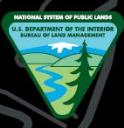
### Income Approach

Geologic analysis  
Engineering analysis  
Market analysis  
Valuation

### Comparable Sales

Valuation based on recent  
similar sales





# Royalty Rate Reductions Process Improvements

- Issued new RRR guidance to streamline the application review and consultation process;
- Required ONRR consultation for financial hardship RRR application processing.





# Thank You

For further information of BLM's coal program:

[http://www.blm.gov/wo/st/en/prog/energy/coal\\_and\\_non-energy.html](http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy.html)







- 1. Are existing royalty rates appropriate in light of the value of the federal coal resources, the costs of their development, and the returns due to American taxpayers?**
- 2. How might different levels of royalty rates affect: Return? viability of mining operations? Revenues for states and communities? Levels and locations of coal production? Jobs and coal exports markets?**
- 3. What are reasonable economic and market assumptions about Federal coal in the future, particularly in the West? In particular, what role might coal exports play? Do BLM's lease sale valuation and royalty policies appropriately consider exports or other market forces or economics?**
- 4. Are there other ways in which BLM might promote greater competition in the coal leasing process?**
- 5. Are there other aspects of the BLM coal program that should also be considered with respect to ensuring a fair return to the taxpayer, such as appraisals, leasing procedures, lease terms, bonding, cost recovery, or penalties?**
- 6. What actions might the BLM take to address any of these issues, consistent with our existing statutory authority?**